



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: May 17, 2005
To: Council Member Lisa Goodman, Community Development Cmte
Prepared by: Donna Wiemann, Principal Project Coordinator, 612-673-5257
Presenter in Committee: Donna Wiemann
Approved by: Elizabeth Ryan, Director of Housing Policy and Development *EJR*
Subject: A Public Hearing and Request for Preliminary Approval to Issue up to \$9,100,000 in Housing Revenue Bonds for St. Anthony Mills Apartments

RECOMMENDATION: Adopt the attached Resolution granting Preliminary Approval of up to \$9,100,000 in housing revenue bonds for the St. Anthony Mills Apartments Project.

Previous Directives: Approval of the Concept Plan for Parcel D on February 2, 2000. Approval of \$1,000,000 Affordable Housing Trust Fund loan (\$500,000 on May 16, 2003 and \$500,000 on May 28, 2004). Approval of Public Analysis Authorization (PAA) for Parcel D East on April 30, 2004. Approval of \$400,000 NRP Affordable Housing Reserve Fund loan on April 15, 2005.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
 Action requires an appropriation increase to the Capital Budget
 Action requires an appropriation increase to the Operating Budget
 Action provides increased revenue for appropriation increase
 Action requires use of contingency or reserves
 Other financial impact (Explain):
 Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 2

Neighborhood Notification: The Downtown Minneapolis Residents Association (DMNA) has been notified and expressed its support. In addition, DMNA approved up to \$500,000 NRP funds to the project in 2003.

City Goals: The proposed project fosters the development of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan: 4.9: Minneapolis will grow by increasing its supply of housing; 4.12: Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Zoning Code: The site is zoned C3A, the proper zoning for the proposed development.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

Since 2000, the City/MCDA has been working with Brighton Development Corporation, the designated developer for Parcel D East, to implement a mixed use, affordable housing project called St. Anthony Mills Apartments (SAMA). Parcel D East is located between Park Avenue and Chicago Avenue and between Washington Avenue and Second Street.

The City is now constructing a 324 space Mill Quarter Municipal Ramp in the middle of this block and it will be surrounded on three sides by the SAMA project. In September, 2004, the Council approved selling the western portion of Parcel D East to Brighton Development Corporation for the construction of ownership condominium units (Park Avenue East Lofts).

For the last several years, Brighton has been working to raise the development funds for the SAMA project and has been successful in obtaining funding commitments from MHFA, Hennepin County, the City, and NRP.

Project Description

The St. Anthony Mills Apartments is a new construction, 5 story building which will consist of 93 rental units and approximately 6,000 square feet of ground floor commercial space. The project developer is BD St. Anthony Mills Limited Partnership whose general partner will be Brighton Development Corporation or an affiliated entity. The project will be located on the northwest corner of Washington Avenue and Chicago Avenue. The property is currently owned by the City of Minneapolis.

Of the 93 units, 80 will provide affordable housing targeted to downtown workers and those who use public transportation. The project is designed to conceal the publicly owned parking facility (Mill Quarter Municipal Ramp) located at the center of the block. The project will line the parking ramp on Washington on the south, Chicago on the east, and Second Street on the north. The 324 parking space ramp is now under construction and scheduled for completion in July, 2005. In addition, there will be two commercial spaces on the ground floor – approximately 3,000 square feet at the corner of Washington and Chicago Avenue and approximately 3,000 square feet at the corner of Second Street and Chicago Avenue.

The unit mix will be 15 efficiencies, 62 one bedrooms and 16 two bedrooms. Pending Section 8 Project Based voucher availability, 17 of the units will be targeted to households whose incomes are below 30% of the units. Up to thirteen (13) units will be market rate and will be under long-term lease to the Guthrie Theater for their artists in residence. The term of the lease will be five (5) years and the agreement will allow for a five (5) year renewal. The rents including all utilities, except electricity, are as follows:

<u>Unit Mix</u>	<u>Rents</u>
Efficiencies	\$649
One Bedrooms	\$688 - \$1,113
Two Bedrooms	\$992

Parking for the SAMA residents will be provided in the adjacent Mill Quarter Municipal Ramp. There will be a long term lease (at a minimum 45 years) between the City of Minneapolis and Brighton for use of 77 parking spaces. The ramp will be physically connected to the SAMA project and will be available on a 24/7 basis by the SAMA residents. SAMA residents will be charged \$55.00 per parking space per month. The project is within easy walking distance of two LRT stations and bus service is available outside the door of the project.

Financial Information

The estimated total development cost is \$15,037,807. Detailed development sources and uses financial information is provided on the attached Project Data Worksheet. To date, the Council has approved up to \$1,000,000 of Affordable Housing Trust Fund money for the development of St. Anthony Mills Apartments project; the source will be federal HOME funds. The Council has also approved up to \$400,000 NRP Affordable Housing Reserve Fund money for the project. Other public funds secured by the developer are from the following sources: MHFA (\$1,200,000), Hennepin County (\$1,050,000), Metropolitan Council (\$121,194) and the Downtown Minneapolis Neighborhood Association NRP funds (\$500,000).

In addition to the request for the issuance of City housing revenue bonds, the developer has submitted an application for tax increment financing “pay go” financing and City staff is in process of reviewing the application at this time. It is preliminarily estimated that the developed project could support a Tax Increment Financing Note in the amount of up to \$1,234,000. It is envisioned that the TIF would be a “pay go” structure in which the annual tax increment would be used to pay off the mortgage supported by the TIF.

Staff anticipates bringing the request for tax increment financing approval to the Council in August, 2005.

Land Sale

In February, 2000, the Council approved Brighton Development Corporation's concept plan for Parcel D and granted them exclusive development rights. The SAMA property was valued at \$262,120 at that time. Brighton has worked for three plus years to raise the development funds for this affordable housing project and used \$262,120 as the land price in all of the proformas submitted in their funding applications.

In the middle of 2004, staff commissioned an updated appraisal for Parcel D East in preparation for selling the land on the western side of Parcel D East for the market rate ownership condominium development. Regarding the eastern side of Parcel D East for SAMA, the CPED's assessor, in conjunction with management and MF staff, has determined the current re-use value of the SAMA parcel to be \$430,000. Staff proposes to sell the SAMA parcel for \$430,000, but proposes that the \$167,880 difference between \$430,000 and \$262,120 be provided to the project as a deferred loan. An increase in the City's sales price of this affordable housing project could very well be viewed negatively by the other public funders who based their funding decisions on a stated land price of \$262,120. Staff anticipates requesting Council approval of the SAMA land sale in August, 2005.

Section 106 Requirements

The property is located in the historic Minneapolis riverfront area. Brighton has been working closely with the State Historical Preservation Office (SHPO) and the Minneapolis Heritage Preservation Commission (HPC) staff to insure that the project meets the historic design and requirements of this historic area. The AHTF federal HOME funds require HUD's approval that the project meets Section 106 requirements. To accomplish, the City is being requested to enter a Memorandum of Understanding (MOU) with SHPO, HUD, and HPC outlining the required action steps which will include a historical archaeological study of the site and monitoring by an archaeologist during excavation. Staff expects to present the draft MOU to the Council for consideration within the next month.

Bond Information

The developer is requesting Preliminary Approval of up to \$9,100,000 in housing revenue bonds (approximately \$6,450,000 Series A and \$2,650,000 million Series B). The housing revenue bonds automatically include 4% of low income housing tax credits. Syndication of the tax credits is expected to generate an equity investment of approximately \$3,922,000 to the project.

The Series A bonds will be HUD/FHA insured and the anticipated rating is Aaa. The Series B bonds will be a private placement and secured by the assignment of the Low Income Housing Trust Credit equity.

Status of 2004 Bond Entitlement Authority

Total 2004 Authority	\$36,410,000
Minus 2004 Authority Approved/Issued to Date	\$12,737,500
Minus Single Family Authority	\$ 5,600,000
Total Authority Remaining	\$18,072,500
Minus Amount of SAMA Bonds	\$ 9,100,000
Total 2004 Authority Remaining	\$ 8,972,500

Bond Counsel

Kennedy & Graven

Underwriter

Wells Fargo

Administrative Fees

The issuer's fee will be ¼% annually of the outstanding loan balance.

Council Member Informed

Yes, Ward 2.

Estimated Project Timetable

City Council considers MOU W/SHPO, HUD, HPC	June, 2005
City Council considers	
- Final Bond Approval	
- TIF Plans Public Hearing	
- Redevelopment Contract Business Terms	
- Land Sale Public Hearing	August, 2005
Land Sale & Project Closing	October, 2005
Construction Start	October, 2005
Construction Completion	November, 2006

RESOLUTION
of the
CITY OF MINNEAPOLIS

By _____

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C, for the purpose of financing a housing program consisting of the acquisition and construction of a multifamily rental housing development for the benefit of BD St. Anthony Mills Limited Partnership, its general partner, Brighton Development Corporation, or an affiliate.

WHEREAS, the City of Minneapolis, Minnesota (the "City"), is authorized, pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act"), to develop and administer programs to finance one or more multifamily housing developments within its boundaries; and

WHEREAS, Section 462C.07 of the Act authorizes the City to issue and sell revenue bonds or obligations to finance programs for the multifamily housing developments; and

WHEREAS, representatives of BD St. Anthony Mills, Limited Partnership, a Minnesota limited partnership whose general partner is Brighton Development Corporation, or an affiliated entity (the "Developer"), has requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of tax-exempt multifamily housing revenue bonds in an aggregate principal not to exceed approximately \$9,100,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Developer to finance the acquisition and construction by the Developer of a 93-unit multifamily rental housing development consisting of one five-story building to be located at the northwest corner of the intersection of Washington Avenue and Chicago Avenue in the City (the "Project"); and

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City, held a public hearing on the Program and the proposed issuance of the Bonds on a date at least fifteen (15) days following the publication in a newspaper of general circulation in the City of a notice of such public hearing; and

WHEREAS, the Program was submitted to the Metropolitan Council for its review and comment in accordance with the requirements of the Act; and

WHEREAS, the City has been advised by the Developer that conventional commercial financing is available to pay the capital costs of the Project only on a limited basis and at such high costs of borrowing that the scope of the Project and the economic feasibility of its operations would be significantly affected; and

WHEREAS, the City shall not be liable on the Bonds, and the Bonds shall not constitute a debt of the City within the meaning of any state constitutional provision or statutory limitation, the Bonds shall not constitute or give rise to a charge against the general credit or taxing powers of the City, the Bonds shall not constitute or give rise to a pecuniary liability of the City, and the Bonds shall be payable solely out of any funds and properties expressly pledged as security therefor;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the Program is hereby approved and adopted by the City.

Be It Further Resolved that the issuance of the Bonds pursuant to the Program in an aggregate principal amount of not to exceed approximately \$9,100,000 is hereby preliminarily approved.

Be It Further Resolved that the foregoing preliminary approval of the issuance of the Bonds shall be subject to final determination by the City of terms and conditions and shall not constitute an irrevocable commitment on the part of the City to issue the Bonds.

Be It Further Resolved that the staff of the City is hereby authorized, in cooperation with bond counsel, to take all steps necessary and desirable to proceed to develop the Program and financing therefor.

MN130-116 (JU)
242748v.3

Certified as an official action of the City Council:

RECORD OF COUNCIL VOTE (X INDICATES VOTE)													
COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN	COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN
President Ostrow							Goodman						
Zerby							Lilligren						
Samuels							Schiff						
Johnson							Niziolek						
Johnson Lee							Benson						
Zimmermann							Colvin Roy						
							Lane						

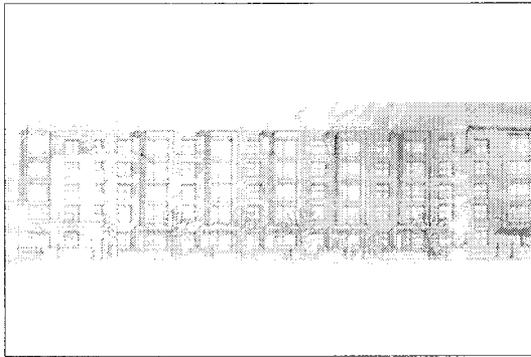
PASSED _____
DATE

APPROVED NOT APPROVED VETOED

ATTEST _____
CITY CLERK

MAYOR DATE

CPED MULTIFAMILY HOUSING DEPARTMENT
Affordable Housing Inventory Project Data Worksheet



Project Status
 Proposed: 5/3/2004
 Approved:
 Closed:
 Complete:

Impaction
 Non-Impacted
 Impacted

Occupancy
 Rental
 Ownership

Project Name: Saint Anthony Mills Apts
 Main Address: Washington Ave, Chicago Ave, 2nd St
 Project Aliases: Parcel D, Mills Housing
 Additional Addresses:
 Ward: 2 Neighborhood: Downtown East

Project Activity
 New Construction
 Rehabilitation
 Stabilization
 Preservation
 Year Built: _____

Development
 Apartment/Condo
 Townhome
 Coop
 Shelter
 Transitional
 Scattered Site/Other

Household
 General
 Family w/Children
 Senior
 Single
 Special Needs
 Homeless

Housing Production and Affordability

UNIT POSITION	UNIT	QTY	UNIT AFFORDABILITY				
	UNIT	<30%	<50%	<60%	<80%	MKT	
0BR	11	0	11	0	0	0	
1BR	68	17	19	19	0	13	
2BR	14	0	0	14	0	0	
3BR	0	0	0	0	0	0	
4+BR	0	0	0	0	0	0	
TOT	93	17	30	33	0	13	

Shelter Units: _____ + Conversion Units: _____
 Section 8: 17

GENERAL INFORMATION

The proposed St. Anthony Mills Apartments project is part of the redevelopment of the historic Minneapolis riverfront. St. Anthony Mills will be located on Parcel D East. Parcel D East is currently a large, bituminous parking lot bound by Portland Ave on the West, Chicago Ave on the East, Washington Ave on the South, and Second St on the North. St. Anthony Mills will be built on the eastern portion of Parcel D East. St. Anthony Mills will be built as liner on three sides of a City of Minneapolis parking ramp that will serve downtown visitors and the Mill City Museum. Parking for St. Anthony Mills Apartments residents will be provided in the parking ramp.

Saint Anthony Mills Apartments will be new construction of 93 rental units. The project creates affordable housing in a moderately affluent community. The project will include two small commercial nodes - one on the corner of Chicago and Washington Avenue and one on the corner of Chicago and Second Street.

Brighton was selected as the Parcel D developer as a result of a competitive selection process involving the community, MCDA, and the City of Minneapolis staff.

Partnership:

Developer:
 Dick Brustad
 Brighton Development Corporation
 614 1st St N Suite 100
 Minneapolis, MN 55401-3101
 Phone: (612) 333-5664 ext-
 Fax: (612) 332-1250
 dbrustad@brightondevelopment.com

Owner:
 Dick Brustad
 Brighton Development Corporation
 614 1st St N Suite 100
 Minneapolis, MN 55401-3101
 Phone: (612) 333-5664 ext-
 Fax: (612) 332-1250
 dbrustad@brightondevelopment.com

Contact Information:

Consultant:

Property Manager:
 BDC Management
 Phone: (612) 371-0766 ext-
 Fax: (612) 371-1834

Contractor:

Bor-Son Construction
 2001 Killebrew Dr Suite 400
 Bloomington, MN 55426-
 Phone: (952) 854-8444 ext-
 Fax:

Architect:

David Jones
 Ellness, Swenson, Graham Architects Inc.
 500 Washington Ave
 Minneapolis, MN 55415-
 Phone: (612) 339-5508 ext-
 Fax: (612) 339-5382

Support Services:

CPED Coordinator:

Donna Wiemann
 CPED
 105 5th Ave S Suite 200
 Minneapolis, MN 55401-
 Phone: (612) 673-5257 ext-
 Fax: (612) 673-5259
 donna.wiemann@ci.minneapolis.mn.us

CPED Legal:

Nikki Newman
 Phone: (612) 673-5273 ext-
 Fax: (612) 673-5112

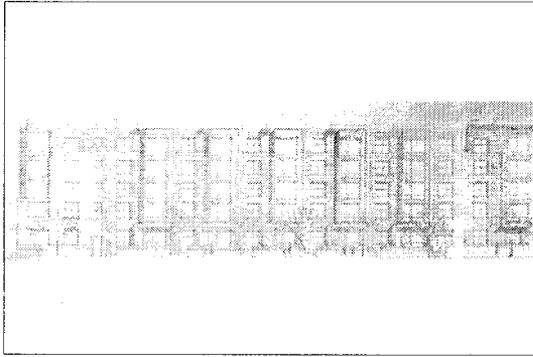
CPED Rehab:

CPED Support Coordinator

Connie Green
 Phone: (612) 673-5234 ext-
 Fax: (612) 673-5259

MPLS Affirmative Action

CPED MULTIFAMILY HOUSING DEPARTMENT
Affordable Housing Inventory Project Data Worksheet



Project Status	
Proposed:	5/3/2004
Approved:	<input checked="" type="checkbox"/>
Closed:	
Complete:	

Impaction	
<input checked="" type="radio"/> Non-Impacted	
<input type="radio"/> Impacted	

Occupancy	
<input checked="" type="radio"/> Rental	
<input type="radio"/> Ownership	

Project Name:	Saint Anthony Mills Apts		
Main Address:	Washington Ave, Chicago Ave, 2nd St		
Project Aliases:	Parcel D, Mills Housing		
Additional Addresses:			
Ward:	2	Neighborhood:	Downtown East

Project Activity	
<input checked="" type="checkbox"/> New Construction	
<input type="checkbox"/> Rehabilitation	
<input type="checkbox"/> Stabilization	
<input type="checkbox"/> Preservation	
Year Built:	

Development	
<input checked="" type="radio"/> Apartment/Condo	
<input type="radio"/> Townhome	
<input type="radio"/> Coop	
<input type="radio"/> Shelter	
<input type="radio"/> Transitional	
<input type="radio"/> Scattered Site/Other	

Household	
<input checked="" type="checkbox"/> General	
<input checked="" type="checkbox"/> Family w/Children	
<input checked="" type="checkbox"/> Senior	
<input checked="" type="checkbox"/> Single	
<input type="checkbox"/> Special Needs	
<input type="checkbox"/> Homeless	

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	11		0BR	0	11	0	0	0
	1BR	68		1BR	17	19	19	0	13
	2BR	14		2BR	0	0	14	0	0
	3BR	0		3BR	0	0	0	0	0
4+BR	0	4+BR	0	0	0	0	0		
TOT	93	TOT	17	30	33	0	13		
Shelter Units:			+ Conversion Units:						
Section 8:		17							

USES AND SOURCES

Project Uses:	
Land:	\$430,000.00
Construction:	\$10,956,700.00
Construction Contingency:	\$424,000.00
Construction Interest:	\$166,837.00
Relocation:	\$0.00
Developer Fee:	\$1,030,915.00
Legal Fees:	\$106,000.00
Architect Fees:	\$455,171.00
Other Costs:	\$1,117,684.00
Reserves:	\$340,500.00
Non-Housing:	\$0.00
TDC:	\$15,037,807.00
TDC/Unit:	\$161,697.00

Project Sources:		Amount	%	Term	Committed
1	City of Minneapolis HRB	\$6,350,000.00	5.60%	40 yr	
2	Syndication Proceeds	\$3,921,857.00			
3	MHFA MHFA (2003)	\$600,000.00		30 yr Deferred	10/1/2003
4	MHFA MHFA (2004)	\$600,000.00		30 yr Deferred	1/1/2005
5	Hennepin County AHIF	\$500,000.00		30 yr Deferred	12/1/2003
6	CPED AHTF	\$1,000,000.00		Deferred	1/1/2005
7	City of Minneapolis NRP (DMNA-2003)	\$250,000.00			5/1/2003
8	Brighton Development Deferred Developer Fee	\$326,876.00			1/1/2005
9	Hennepin County AHIF	\$300,000.00		30 yr Deferred	1/1/2005
10	City of Minneapolis NRP (DMNA-2004)	\$250,000.00			12/1/2003
11	City of Minneapolis NRP (AHRF)	\$400,000.00		30 yr Deferred	4/30/2005
12	Hennepin County TOD	\$250,000.00		Grant	12/1/2003
13	Met Council TBRA	\$121,194.00		Grant	12/31/2004
14	City of Minneapolis City Loan of Land Proceeds	\$167,880.00		Deferred	
TDC:		\$15,037,807.00			

Financing Notes:
 Tax Increment financing is proposed and staff will request City Council consideration at a later date.